

Jackson County Medical Care Facility

**Financial Report
with Additional Information**

December 31, 2003

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Jackson County MCF</u>	County Jackson
Audit Date 12/31/03	Opinion Date February 6, 2004	Date Accountant Report Submitted To State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 67 West Michigan Avenue, Suite 500	City Battle Creek	State MI	ZIP 49017
Accountant Signature 			

Jackson County Medical Care Facility

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Independent Auditor's Report

To the Jackson County Family Independence Agency Board
Jackson County Medical Care Facility

We have audited the balance sheet of Jackson County Medical Care Facility (a component unit of Jackson County, Michigan), as of December 31, 2003 and 2002, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jackson County Medical Care Facility at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Facility adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of January 1, 2003.

The accompanying financial statements do not present a Management's Discussion and Analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

February 6, 2004

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Jackson County Medical Care Facility

Balance Sheet

	December 31	
	2003	2002
Assets		
Current Assets		
Cash (Note 2)	\$ 1,672,942	\$ 1,485,016
Accounts receivable (Note 3)	891,386	1,067,448
Current portion of note receivable (Note 4)	120,000	120,000
Due from other County funds (Note 9)	123,000	123,000
Prepays and other current assets	85,618	160,740
Total current assets	2,892,946	2,956,204
Cash and Cash Equivalents Limited as to Use (Note 2)	120,971	814,257
Note Receivable (Note 4)	95,443	215,443
Property and Equipment (Note 5)	18,465,351	18,955,581
Total assets	\$ 21,574,711	\$ 22,941,485
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt (Note 8)	\$ 275,000	\$ 275,000
Accounts payable	149,987	171,316
Patient trust liability (Note 7)	10,064	10,548
Accrued salaries and related taxes	340,757	370,740
Accrued compensated absences	270,656	314,438
Cost report settlements	175,000	500,000
Accrued interest	146,454	144,025
Current portion of deferred capital lease (Note 6)	8,108	7,675
Deferred revenue - Proportionate Share Program	114,661	170,001
Total current liabilities	1,490,687	1,963,743
Deferred Capital Lease (Note 6)	550,729	558,837
Long-Term Debt (Note 8)	14,950,000	15,225,000
Net Assets		
Invested in capital assets - Net of related debt	3,240,351	3,455,581
Unrestricted	1,342,944	1,738,324
Total net assets	4,583,295	5,193,905
Total liabilities and net assets	\$ 21,574,711	\$ 22,941,485

Jackson County Medical Care Facility

Statement of Revenue, Expenses and Changes in Net Assets

	Year Ended December 31	
	2003	2002
Operating Revenue		
Net resident revenue	\$ 11,463,490	\$ 10,360,856
Proportionate share program revenue	283,328	548,325
Other operating revenue	<u>105,361</u>	<u>123,490</u>
Total operating revenue	11,852,179	11,032,671
Operating Expenses		
Salaries	6,547,222	6,590,671
Fringe benefits	2,185,890	1,988,103
Depeciation	540,747	220,811
Other operating expenses	<u>2,345,431</u>	<u>2,563,309</u>
Total operating expenses	<u>11,619,290</u>	<u>11,362,894</u>
Operating Income (Loss)	232,889	(330,223)
Nonoperating Income (Expense)		
Interest income	11,347	32,384
Interest expense	(862,521)	(72,834)
Amortization income - capital lease	7,675	-
Transfer to other County funds (Note 5)	<u>-</u>	<u>(250,775)</u>
Total nonoperating expense	<u>(843,499)</u>	<u>(291,225)</u>
Increase (Decrease) in Net Assets	(610,610)	(621,448)
Net Assets - Beginning of year	<u>5,193,905</u>	<u>5,815,353</u>
Net Assets - End of year	<u>\$ 4,583,295</u>	<u>\$ 5,193,905</u>

Jackson County Medical Care Facility

Statement of Cash Flows

	Year Ended December 31	
	2003	2002
Cash Flows from Operating Activities		
Cash received from residents and third-party payors	\$ 11,314,552	\$ 10,433,220
Cash received from proportionate share reimbursement program	227,988	269,228
Cash received from other operating revenue	105,361	123,490
Cash paid to employees and suppliers	<u>(11,096,086)</u>	<u>(10,671,088)</u>
Net cash provided by operating activities	551,815	154,850
Cash Flows from Investing Activities		
Interest income	11,347	32,384
Patient trust deposits (withdrawals), net	<u>(484)</u>	<u>2,511</u>
Net cash provided by investing activities	10,863	34,895
Cash Flows from Capital and Related Financing Activities		
Purchase of equipment	(50,517)	(1,008,062)
Interest paid on long-term debt	(862,521)	(72,834)
Cash received on prepaid lease	120,000	231,069
Principal paid on long-term debt	(275,000)	-
Cash advanced on notes receivable	<u>-</u>	<u>(335,443)</u>
Net cash used in capital and related financing activities	<u>(1,068,038)</u>	<u>(1,185,270)</u>
Net Decrease in Cash and Cash Equivalents	(505,360)	(995,525)
Cash and Cash Equivalents - Beginning of year	<u>2,299,273</u>	<u>3,294,798</u>
Cash and Cash Equivalents - End of year	<u>\$ 1,793,913</u>	<u>\$ 2,299,273</u>
Balance Sheet Classification of Cash and Cash Equivalents		
Current assets - Cash	\$ 1,672,942	\$ 1,485,016
Cash and cash equivalents limited as to use	<u>120,971</u>	<u>814,257</u>
Total	<u>\$ 1,793,913</u>	<u>\$ 2,299,273</u>

Jackson County Medical Care Facility

Statement of Cash Flows (Continued)

A reconciliation of operating income (loss) to net cash from operating activities is as follows:

	Year Ended December 31	
	2003	2002
Cash Flows from Operating Activities		
Operating income (loss)	\$ 232,889	\$ (330,223)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	540,747	220,811
Loss on disposal of assets	-	216,598
Provision for bad debts	59,520	63,113
(Increase) decrease in assets:		
Accounts receivable	116,542	(203,959)
Prepays and other current assets	75,122	(73,295)
Increase (decrease) in liabilities:		
Cost report settlements	(325,000)	170,000
Accounts payable	(21,329)	24,882
Accrued liabilities	(71,336)	346,020
Deferred revenue	(55,340)	(279,097)
Net cash provided by operating activities	<u>\$ 551,815</u>	<u>\$ 154,850</u>

Jackson County Medical Care Facility

Notes to Financial Statements December 31, 2003 and 2002

Note 1 - Nature of Business and Significant Accounting Policies

The Jackson County Medical Care Facility (Facility) is a component unit of the County of Jackson. Its financial statements are included in the County's general purpose financial statements.

The Facility is a 194-bed, long-term medical care unit owned and operated by Jackson County. It is governed by the Jackson County Family Independence Agency Board. This Board consists of three members, two of whom are appointed by the Jackson County Board of Commissioners, and one appointed by the Michigan Governor.

The accounting policies of the Facility conform to generally accepted accounting principles as applicable to local governmental units. Because the Facility provides a service to citizens that is financed primarily by a user charge, the accounts of the Facility are accounted for as an Enterprise Fund, utilizing the full accrual method of accounting.

Basis for Presentation - The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. The Facility now follows the "business-type" activities reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the Facility's financial activities. There was no impact to the net assets of the Facility in adopting GASB No. 34.

Enterprise Fund Accounting - The Facility uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Facility has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Accrual Basis - The financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

Jackson County Medical Care Facility

Notes to Financial Statements December 31, 2003 and 2002

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Cash and Cash Equivalents - Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less.

Property and Equipment - All property and equipment are recorded at historical cost. Donated assets are recorded at the fair market value at the time of the donation. Depreciation on such fixed assets is charged as an expense against the operations on a straight-line basis.

Compensated Absences - Sick, vacation, and personal leave pay are charged to operations when earned. Unused benefits are recorded as a current liability in the financial statements.

Net Assets - Net assets of the Facility are classified in two components. Net assets invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted.

Net Patient Revenue - Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and bad debts written-off during the year. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Approximately 91 percent of the revenue from patient services is received from the Medicare and Medicaid programs. The Facility has agreements with the Medicare and Medicaid programs to provide reimbursement to the Facility at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Facility's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with these third-party payors follows:

Medicare - Services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon clinical assessments completed by the Facility that are subject to review and final approval by Medicare.

Medicaid - Services rendered to Medicaid program beneficiaries are paid at prospectively determined rates based on a cost reimbursement methodology.

Jackson County Medical Care Facility

Notes to Financial Statements December 31, 2003 and 2002

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Proportionate Share Reimbursement Program (PSRP) - During the years ended December 31, 2003 and 2002, the Facility participated in the PSRP sponsored by the State of Michigan. In 2003, two transactions were completed. The first transaction in September was recorded in revenue in relation to the State fiscal year ended September 30, 2003. The second transaction in October was for the State fiscal year ended September 30, 2004 and therefore was recognized one quarter in revenue and three quarters in deferred revenue.

In 2002, two transactions were completed. The first transaction was recorded in revenue in relation to the State fiscal year that ended September 30, 2002. The second transaction received in October was for the State fiscal year ended September 30, 2003 and therefore was recognized one quarter in revenue and three quarters in deferred revenue.

Operating Revenues and Expenses - The Facility's statement of revenues, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services as the Facility's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating activities include interest income, interest expense and transfers to and from other County funds.

Jackson County Medical Care Facility

Notes to Financial Statements December 31, 2003 and 2002

Note 2 - Deposits

The Facility's deposits at December 31, 2003 and 2002 are composed of the following:

	2003		2002	
	Cash and Cash Equivalents	Assets Limited as to Use	Cash and Cash Equivalents	Assets Limited as to Use
Deposits:				
County	\$ 1,363,099	\$ 120,971	\$ 644,354	\$ 400,404
Bank	<u>309,843</u>	<u>-</u>	<u>840,662</u>	<u>413,853</u>
Total	<u>\$ 1,672,942</u>	<u>\$ 120,971</u>	<u>\$ 1,485,016</u>	<u>\$ 814,257</u>

Cash - County - These funds are under the control of the County Treasurer, who deposits the funds in a bank. It is impractical to determine the amount covered by federal depository insurance as these funds are only a portion of the total County deposits.

Cash - Bank - These accounts are administered by the Jackson County Treasurer and are held in separate accounts in the name of the Facility. The above deposits were reflected in the accounts of a bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$358,099 and \$1,500,748 at December 31, 2003 and 2002, respectively. The federal depository insurance pertains to all the deposits of the County of Jackson; hence, the specific coverage pertaining to the Facility's deposits, if any, is not determinable.

Note 3 - Accounts Receivable

The details of accounts receivable are set forth below:

	2003	2002
Patient receivables, gross	\$ 1,307,262	\$ 970,303
Less allowances for:		
Uncollectible accounts	(60,872)	(37,168)
Medicaid interim payment receivable (advances)	<u>(355,004)</u>	<u>134,313</u>
Accounts receivable, net	<u>\$ 891,386</u>	<u>\$ 1,067,448</u>

Jackson County Medical Care Facility

Notes to Financial Statements December 31, 2003 and 2002

Note 4 - Note Receivable

During 2002, the Facility entered into a promissory note with CRC, Inc. for \$335,443 at 3% annually. Principal payments of \$120,000 are due annually on February 1, along with accrued interest. Final payment is due February 1, 2005.

Note 5 - Property and Equipment

Cost of property and equipment and depreciable lives are summarized as follows:

2003	Depreciable Life-Years	2002	Additions	Retirements / Transfers	2003
Cost:					
Buildings and improvements	20-40	\$ 18,076,242	\$ -	\$ -	\$ 18,076,242
Movable equipment	5-20	993,249	50,517	-	1,043,766
Total		19,069,491	<u>\$ 50,517</u>	<u>\$ -</u>	19,120,008
Accumulated depreciation:					
Buildings and improvements		36,878	\$ 448,486	\$ -	485,364
Movable equipment		77,032	92,261	-	169,293
Total		113,910	<u>\$ 540,747</u>	<u>\$ -</u>	654,657
Net carrying amount		<u>\$ 18,955,581</u>			<u>\$ 18,465,351</u>

2002	Depreciable Life-Years	2001	Additions	Retirements / Transfers	2002
Cost:					
Buildings and improvements	20-40	\$ 2,749,614	\$ 17,701,646	\$ (2,375,018)	\$ 18,076,242
Movable equipment	5-20	1,753,349	768,559	(1,528,659)	993,249
New project costs		2,013,566	-	(2,013,566)	-
Total		6,516,529	<u>\$ 18,470,205</u>	<u>\$ (5,917,243)</u>	19,069,491
Accumulated depreciation:					
Buildings and improvements		2,375,018	\$ 36,878	\$ (2,375,018)	36,878
Movable equipment		1,341,251	77,032	(1,341,251)	77,032
Total		3,716,269	<u>\$ 113,910</u>	<u>\$ (3,716,269)</u>	113,910
Net carrying amount		<u>\$ 2,800,260</u>			<u>\$ 18,955,581</u>

In 2002, the Facility completed construction of its new facility. The net book value of the old facility totaling \$250,775 was recorded as a transfer to other County funds in the statement of revenue, expenses and changes in fund balance. The net book value of equipment disposed of or abandoned totaling \$216,598 was recorded as a loss on disposal in operating expenses.

Jackson County Medical Care Facility

Notes to Financial Statements December 31, 2003 and 2002

Note 6 - Deferred Capital Lease

During the year ended December 31, 2002, the Facility recorded a deferred lease for \$566,512 for space utilized by CRC, Inc., to operate a Respite Care Center and a Children's Day Care. The lease term is 30 years and an interest rate of 5.5% was applied. During 2003, \$7,675 was recorded in nonoperating income.

Note 7 - Patient Trust Fund

The State Department of Treasury requires facilities to administer and account for monies of patients. The patient trust liability on the balance sheet represents patient trust fund deposits at December 31, 2003 and 2002.

Jackson County Medical Care Facility

Notes to Financial Statements December 31, 2003 and 2002

Note 8 - Long-term Debt

The Facility entered into a capital lease arrangement with the County of Jackson, in which the Facility will make lease payments to the County equal to the required principal and interest payments on the bonds acquired by the County.

Interest rates range from 5.3% to 5.6% with a final maturity of May 01, 2030. Interest is due semi-annually on May 15 and November 15. Principal is due annually on May 15, beginning in 2003 through 2030. A schedule of the changes in the Facility's noncurrent liabilities for 2003 and 2002 follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Amount Due Within One Year
2003	<u>\$ 15,500,000</u>	<u>\$ -</u>	<u>\$ (275,000)</u>	<u>\$ 15,225,000</u>	<u>\$ 275,000</u>
2002	<u>\$ 15,500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,500,000</u>	<u>\$ 275,000</u>

Scheduled principal and interest repayments on long-term debt and payments on capital lease obligations are as follows:

Year Ending December 31:	Capital Lease Obligations	
	Principal	Interest
2004	\$ 275,000	\$ 842,150
2005	325,000	825,788
2006	325,000	807,913
2007	325,000	790,038
2008	325,000	772,163
2009 to 2013	2,075,000	3,543,688
2014 to 2018	2,675,000	2,880,500
2019 to 2023	3,300,000	2,041,200
2024 to 2028	3,800,000	1,050,000
2029 to 2030	<u>1,800,000</u>	<u>100,800</u>
Total	<u>\$ 15,225,000</u>	<u>\$ 13,654,239</u>

During the year ended December 31, 2002, interest of \$936,984 was capitalized during construction of the new Facility.

Jackson County Medical Care Facility

Notes to Financial Statements December 31, 2003 and 2002

Note 9 - Related Party Transactions

New Facility Construction

In November 2000, the Jackson County Building Authority issued bonds totaling \$15.5 million with interest ranging from 5.3-5.6%. To finance the remaining portion, the Facility committed approximately \$2.0 million. The Facility has entered into a lease agreement with the County Building Authority. The terms of the agreement call for the Facility to pay the Building Authority an amount equal to the required principal and interest payments on the bonds. During construction, the County Building Authority accounted for all the activities relating to the project. Upon completion of the project during 2002, the Facility recorded the capitalized assets along with the outstanding bonds on the Facility's books.

Post-Retirement Benefits

The Facility provides health and life insurance benefits for retired employees. Substantially all of the Facility's employees may become eligible for the benefits if they reach normal retirement age while working for the Facility. Currently, approximately 110 retirees are receiving benefits. Under an agreement with the County, the Facility is responsible for the costs of health care benefits for all employees who retired during or subsequent to 1989, while the County is responsible for these benefits to employees who retired prior to 1989. Included in the Facility's annual expenses is approximately \$450,000 and \$376,000 of costs paid for retirees' health and life insurance for the years ended December 31, 2003 and 2002, respectively.

At December 31, 2003 and 2002, the Facility has recorded a receivable from the County of \$123,000 for a duplicate payment made by the Facility for health insurance costs applicable to 1997.

Maintenance of Effort (M.O.E.)

M.O.E. is a County obligation to the State of Michigan. Every month, the County receives a bill from the State of Michigan for each Medicaid patient day approved by the State during that month. Expenses relating to M.O.E. are not included in these financial statements as they were paid directly by the County.

Jackson County Medical Care Facility

Notes to Financial Statements December 31, 2003 and 2002

Note 10 - Defined Benefit Multiple-Employer Pension Plan

Plan Description

The Facility participates in the Jackson County Employees' Retirement System, which is a multiple-employer defined benefit pension plan that covers individuals who are employed for personal service in a membership position, as defined in the Retirement System By-laws of the County, who work 960 or more hours during the County's fiscal year, and elect to receive coverage. The plan provides retirement benefits, as well as death and disability benefits, to plan members and their beneficiaries. The Jackson County Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing the Jackson County Employees' Retirement System Board of Trustees, County Tower Building, 120 West Michigan Avenue, Jackson, Michigan 49201.

Funding Policy

The obligation to contribute to and maintain the system for covered employees was established in the Jackson County Employees' Retirement System, as amended January 1, 1996, and requires an employee contribution of 2.50% of payroll. The Facility's contribution requirement is actuarially determined and is equal to the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 10 years. The Facility has not been required to contribute to the plan for the plan years ended December 31, 2003, 2002, and 2001.

Note 11 - Risk Management

The Facility is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Facility has purchased commercial insurance for medical benefit claims and workers' compensation and participates in the Michigan Municipal Risk Management Authority (risk pool) for claims relating to property loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Facility.

Additional Information



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To the Jackson County Family Independence Agency Board
Jackson County Medical Care Facility

We have audited the financial statements of Jackson County Medical Care Facility for the years ended December 31, 2003 and 2002. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of net patient revenue and operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

February 6, 2004

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Jackson County Medical Care Facility

Schedule of Net Patient Revenue

	Year Ended December 31	
	2003	2002
Daily room services:		
Medicaid	\$ 9,459,919	\$ 9,518,705
Medicare	764,385	528,975
Other	<u>963,647</u>	<u>654,859</u>
Total daily room services	11,187,951	10,702,539
Ancillary services:		
Pharmacy	233,876	174,559
Physical therapy	340,904	188,799
Occupational therapy	305,446	112,146
Laboratory	12,315	7,313
Radiology	7,807	5,270
Speech therapy	69,944	23,588
Medical supplies	<u>138,940</u>	<u>122,705</u>
Total ancillary services	<u>1,109,232</u>	<u>634,380</u>
Total resident revenue	12,297,183	11,336,919
Revenue adjustments	<u>(833,693)</u>	<u>(976,063)</u>
Net resident revenue	<u>\$ 11,463,490</u>	<u>\$ 10,360,856</u>

Jackson County Medical Care Facility

Schedule of Operating Expenses

Year Ended December 31					
	2003				2002
	Salaries	Fringe Benefits	Other	Total	Total
Clinical Services:					
Nursing services	\$ 4,194,429	\$ 1,293,167	\$ 574,638	\$ 6,062,234	\$ 5,981,966
Physical therapy	246,810	106,363	17,528	370,701	415,221
Occupational therapy	71,219	-	8,558	79,777	53,892
Speech	3,946	-	39,917	43,863	11,310
Pharmacy	-	-	207,990	207,990	183,003
Radiology	-	-	6,231	6,231	4,812
Lab	-	-	9,169	9,169	7,344
Physician services	-	-	3,929	3,929	4,547
In-service education	77,929	23,117	10,824	111,870	110,588
Total	4,594,333	1,422,647	878,784	6,895,764	6,772,683
Support Services:					
Administration	414,073	204,885	361,471	980,429	964,961
Medical records	-	-	23,400	23,400	21,600
Plant operations	223,955	82,299	339,147	645,401	632,480
Laundry	78,796	50,781	126,265	255,842	256,209
Environmental services	340,366	108,861	92,206	541,433	504,962
Dietary	625,597	167,490	501,951	1,295,038	1,304,560
Diversional therapy	156,225	65,310	17,415	238,950	238,539
Social services	113,877	83,617	4,792	202,286	229,491
Total	1,952,889	763,243	1,466,647	4,182,779	4,152,802
Other:					
Loss on disposal	-	-	-	-	216,598
Depreciation	-	-	540,747	540,747	220,811
Total	-	-	540,747	540,747	437,409
Totals - 2003	<u>\$ 6,547,222</u>	<u>\$ 2,185,890</u>	<u>\$ 2,886,178</u>	<u>\$ 11,619,290</u>	
Totals - 2002	<u>\$ 6,590,671</u>	<u>\$ 1,988,103</u>	<u>\$ 2,784,120</u>		<u>\$ 11,362,894</u>